

**Statement by Chairman Pete Hoekstra
Subcommittee on Oversight and Investigations
March 26, 1998**

Good morning.

The subject of today's hearing is the financial affairs of the International Brotherhood of Teamsters.

Parts of this unfortunate story we already know -- through this Subcommittee's hearings last October, through articles in the press, and through the findings of the Election Officer and the proceedings of the court in the Southern District of New York.

We know that despite seven years of federal supervision and \$20 million dollars of taxpayers' money, the IBT election of 1996 was fatally flawed. It failed, and must be re-done this year.

We now know -- in at least some detail -- that President Ron Carey's effort to win reelection was marred by illegal financial dealings, and that the IBT's own funds were secretly funneled into the Carey campaign through various laundering schemes.

And we know that Carey's campaign consultant wrote a memo to Mr. Carey naming dozens of people at IBT headquarters who worked fulltime on getting

Carey reelected while they were on the International's payroll. That, too, was illegal.

The 1996 election, however, is not the focus of this Subcommittee's investigation. Our focus is larger in scope. As we have made clear to those we have been forced to subpoena for documents, this is a permanent, standing Subcommittee of the House, with broad oversight powers and responsibilities.

Over the next months, we will be looking at three "money trails"

-- the finances of the IBT, which is our focus today

-- the \$20 million spent by the federal government to finance the cost of the 1996 election, and

-- the illegal swap schemes used to finance the Carey campaign for re-election.

We start this morning by looking at the finances of the Teamsters. The failed election was not an isolated event. Rather, it was the culmination of at least four years of Ron Carey's arrogance and abuse of power, his disregard for the rank and file members and his lack of respect for legal safeguards intended to reform the union as a democratic institution for the rank and file.

We will see today that irregularities in IBT finances did not begin with the '96 election. Rather, certain Teamsters officials became alarmed in early 1993 that

the IBT treasury was in steep decline and that Carey refused to take the necessary steps to fix it.

We will get beneath the surface of the facts I've mentioned, and gain a much deeper understanding of life inside the IBT -- from the time Ron Carey was first elected, in 1991, until the illegal activities that led to the 1996 election being overturned and Mr. Carey being barred from running again for office.

From the testimony of four veteran Teamsters officials this morning, we will see how promises to the union's rank-and-file were broken and their trust violated by Ron Carey and his top lieutenants.

These witnesses held senior positions in the union hierarchy, with important fiduciary and other responsibilities. Yet when they suspected wrongdoing and asked questions and sought documents in the spring of 1993, they were stonewalled, kicked out of meetings where they had previously been included, retaliated against for trying to do their duty.

Today, they will be heard as they describe their futile attempts to get information and the retaliation they endured for trying to protect the rank and file. I admire their perseverance, and I look forward to hearing their testimony.

We will also hear this morning from Mr. Fred Smolen, an experienced forensic auditor hired by this Subcommittee, who will lay out for us the shocking

decline in this union's financial health. Mr. Smolen will show us a pattern of financial improprieties, fraud and dishonesty, of ineffective government oversight, of irregularities in accounting and illegal acts by Ron Carey's IBT.

I want to stress that, in the end, our investigation is not only about financial wrongdoing, or Ron Carey, personally.

The true issue is democracy, and whether the federal government has kept the faith with the Teamsters rank and file and moved the IBT closer to being a free, fair and democratic union, whose leaders are accountable to the membership.

The news is not encouraging, based on the testimony we will be hearing this morning.

I expect this Subcommittee to devote further hearings to the role played by the Independent Review Board, the Labor Department, the Justice Department and the federal Election Officers in overseeing the Teamsters in recent years.

Today's testimony will help this Subcommittee understand what tools may be needed by union members to better hold their leaders accountable, to assure themselves that their assets are being managed wisely, and that the interests of the rank and file rank first on the union's agenda.

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